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C O N F I D E N T I A L SECTION 01 OF 03 DILI 000241

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SUBJECT: EAST TIMOR'S OPPOSITION PARTIES PREPARE TO GOVERN

REF: A) DILI 189, B) DILI 223

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REASON: 1.4 (b), (d)

¶11. (SBU) Summary: With East Timor's ruling FRETILIN likely to lose its parliamentary majority following the June 30 elections, the four main opposition parties are looking at the very real possibility of being in a position to form the next government. These include: former president Xanana Gusmao's National Council for Timorese Reconstruction (CNRT), the Democratic Party (PD), and the coalition of the Timorese Social Democrat Association and the Social Democratic Party (ASDT/PSD). Since none of these is likely to win a majority on its own, discussions are continuing between the four on forming a governing coalition. Particulars of how this would work remain sketchy, especially on the policy front. What they have all been able to agree to is that none, under any circumstance, are to join a coalition with FRETILIN. In addition, they have agreed to the principle that the party among them that has the most support will choose the next prime minister. Given the strength of his own party and the inclination among many in PD to support him, Gusmao is the clear top candidate for the job, although ASDT/PSD is standing firmly behind PSD president Mario Carrascalao. A CNRT-PD-ASDT/PSD government would likely face a protracted formation process as each party jockeys for Cabinet positions. This process that may be further complicated by the fact that no discussions of agreed policies seems to have taken place to date. In the long term, the challenge will be to maintain unity among this potentially fractious group. End summary.

¶12. (U) The final outcome of the May 9 presidential elections, in which opposition party backing delivered nearly 70 percent of the vote to Jose Ramos-Horta, demonstrated the combined strength of East Timor's opposition parties (Ref A). The first round also provided the best information available, in the absence of credible national polling, regarding the relative opposition party strength. Although many more parties are on the parliamentary list than presented candidates in the presidential race, only three opposition choices are expected to gain significant votes: the CNRT, PD and the ASDT/PSD coalition. (Note: In the first round of presidential elections, the candidate supported by CNRT, Jose Ramos-Horta, gained 22 percent; while PD's candidate, Fernando "Lasama" Araujo, won 19 percent. The combined vote for the ASDT and PSD candidates came to approximately 23 percent.)

¶3. (C) In a recent conversation with Emboffs, former president and CNRT head Xanana Gusmao stated that the three had reached a gentlemen's agreement that none would enter into any arrangement with FRETILIN and that they would work together to form the next government (ref B). This basic agreement has been confirmed by leadership in both PD and ASDT/PSD. However, assuming that they win a combined majority, the parties will soon have to move beyond their ability to agree on an anti-FRETILIN stance to address the composition of the next government. So far specific discussions on this have primarily focused on the question of who will be the next prime minister. Party sources report that they have agreed that the party with the most seats in Parliament will make the choice. Despite occasional rumors to the contrary, it has been clear in our conversations with CNRT party leadership, including party president Gusmao and secretary general Dionisio Babo Soares, that Gusmao is their only possible prime minister candidate. It is also highly likely that PD would support Gusmao. Despite some likely opposition to this within the party, the grassroots leaders who pushed the party into supporting Ramos-Horta in the presidential runoff appear to be lining up now behind the idea of Gusmao as prime minister. The only outlier then will be ASDT/PSD, which has from the beginning strongly supported PSD president Mario Carrascalao, a highly respected former governor of East Timor during Indonesian times, as its prime minister candidate. However, ASDT/PSD sources acknowledge that they are unlikely to be in the position to choose, and emphasize that they will work with Gusmao as prime minister.

¶4. (C) Beyond the question of the prime minister position, most discussions of specific composition have been taking place within the individual parties and are unlikely to be addressed in detailed negotiations until election results are known. A recently published shadow government report, citing CNRT secretary general Soares as its source and listing Carrascalao

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as prime minister, was unequivocally disavowed by CNRT, and its ultimate source remains unclear. Rather, in a conversation with Emboffs the same day, Soares cited Carrascalao as a potential minister of a newly combined interior and administration ministry or as inspector general. East Timor's Charge d'Affaires in Washington, recently returned to campaign for PD, recently shared his view that PD should not focus on leading the next government but rather on building its experience and governance track record with an eye to stepping into the top position in 2012. In the meantime, he said that PD should seek out positions that will keep it close to the people, such as the Youth and Sports, Development, and Labor ministries.

¶5. (SBU) Even less progress has been made between the potential government partners regarding policies, and in fact each has pursued their policy and platform development entirely on its own, with only the newly-minted ASDT/PSD coalition working out its platform jointly. It is highly likely that such discussions would not take place in earnest until after the new government is established. In fact, Gusmao has repeatedly emphasized that he plans to use the first six months in power to develop a "master plan," so the potential for a clear joint platform to emerge quickly seems remote. The parties do not have major overarching differences that are currently apparent, but the issues on which they agree generally, such as the need to translate petroleum wealth to genuine poverty alleviation and the need to resolve the outstanding issues of the 2006 crisis, do not have simple solutions and disagreements are bound to arise.

CNRT Ascendant, But Don't Forget PD

¶6. (SBU) As the campaign period draws to a close, it appears that CNRT is in the best position of the opposition parties, with the potential to compete with FRETILIN as the top vote getter. As a new party, its support base is the least quantifiable. Although many first-round Ramos-Horta voters were assumed to be CNRT supporters, Ramos-Horta also drew support from other parties' members unhappy with their own candidates but ultimately loyal to their own parties. At the same time, CNRT has become something of a campaign juggernaut, with Gusmao putting his charisma, iconic stature, and populist touch to good use in a non-stop schedule throughout the country. The campaign has been aggressive and visible, and has been frequently accused of using excessive negative rhetoric and intimidation tactics. CNRT's would be governance partners decry some of its members' behavior, often citing it as "no different than FRETILIN" but they also acknowledge its effectiveness at chipping away at FRETILIN's support. Additionally, party sources especially in PD have said that with CNRT drawing most of FRETILIN's fire, they have had greater breathing room for their own campaigns and possibly gained some converts fed up with both FRETILIN and CNRT.

¶7. (SBU) Despite earlier worries that the establishment of CNRT might gravely undermine them, PD has run a strong campaign and stands to gain a significant bloc of seats in parliament, most likely as the next strongest opposition party behind CNRT. PD's presidential candidate, Fernando "Lasama" de Araujo, did well in the first round, almost pulling even with Ramos-Horta, and taking first place in the populous western districts. In addition, PD's grassroots leadership, in particular several highly influential former resistance leaders in the districts, has demonstrated remarkable loyalty to PD, despite the constant gravitational pull of CNRT. PD will certainly lose some of its support to CNRT, but its successful rallies and smaller-scale community outreach efforts may win it new voters from other quarters. ASDT/PSD, on the other hand, has not been able to gain much momentum, and despite hopes that a coalition would at the least add up to the sum of its parts in voter support, appears to have lost ground. One of the key areas where this loss may be felt is in Aileu, the district from which ASDT draws its primary support. Many of ASDT's local leaders from Aileu were not included on the ASDT/PSD list of parliamentary candidates, and as a result may withdraw their support.

¶8. (SBU) Comment: Although speculation continues regarding one or another opposition party being tempted into an alliance with FRETILIN, we think this is highly unlikely. The antipathy felt by the major opposition parties towards FRETILIN is palpable and often very personal. Mario Carrascalao, for example, is a frequent and acerbic critic of Gusmao, but the ill-will between him and FRETILIN far outweighs this, especially since the FRETILIN government seized his home in the upscale Farol neighborhood several years ago. Given a combined majority, we expect the CNRT, PD, and ASDT/PSD to work together successfully,

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if not perfectly, to form a coalition government, most likely with Gusmao at the helm. However, allocating Cabinet positions would likely be a drawn-out process, and setting an agreed policy agenda probably even more protracted. Moreover, while Gusmao's charisma and force of will may hold the pieces together for a while, there is every reason to question whether this can hold. Timorese political parties are notoriously bad at working together and subsuming individual egos to a larger goal. A CNRT-PD-ASDT/PSD government may be fundamentally unstable, which in turn may suit FRETILIN very well. End comment.
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